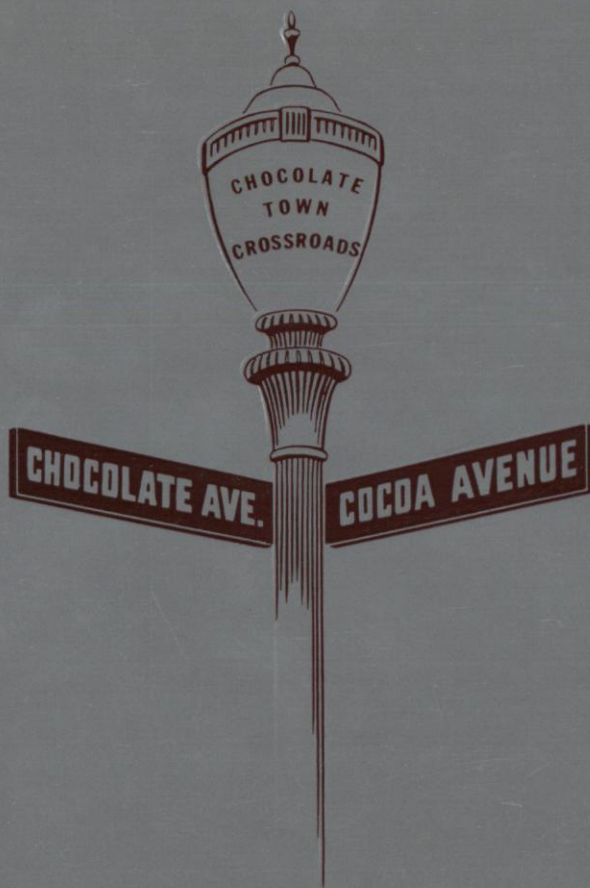


HERSHEY'S

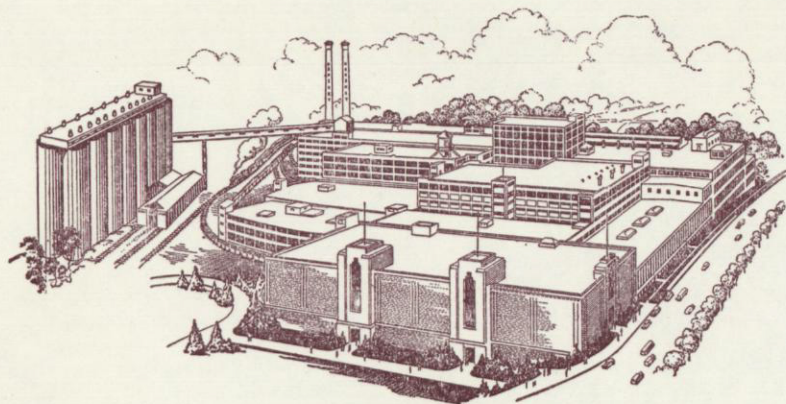


ANNUAL REPORT
DECEMBER 31, 1958

HERSHEY

CHOCOLATE CORPORATION

HERSHEY, PENNSYLVANIA



Executive Offices and Manufacturing Plant

Modern 2.5A.

HERSHY

CHOCOLATE CORPORATION

NEW YORK, N. Y.

BOARD OF DIRECTORS

J. J. GALLAGHER, *Chairman*

W. H. RADEBAUGH

S. F. HINKLE

W. E. SCHILLER

L. W. MAJER

J. B. SOLLENBERGER

D. PAUL WITMER

OFFICERS

J. J. GALLAGHER, *Chairman of Board of Directors*

S. F. HINKLE, *President*

L. W. MAJER, *Vice President and Secretary*

W. E. SCHILLER, *Vice President and Treasurer*

E. B. LEHMAN, *Comptroller*

TRANSFER AGENT

FIRST NATIONAL CITY TRUST COMPANY
NEW YORK

REGISTRAR

GUARANTY TRUST COMPANY
OF NEW YORK

AUDITORS

ARTHUR ANDERSEN & CO.
NEW YORK

To the Stockholders:

It is a pleasure to submit this report on the progress of your Company during the year 1958.

Sales in 1958 totaled \$164,003,791, an increase of \$6,168,968 over the preceding year, and net earnings amounted to \$12,716,115 as compared with \$14,909,809 in 1957. The net earnings were equivalent, after deducting dividends on Preferred Stock, to \$5.25 and \$6.03 a share of Common Stock in the respective years. Dividends on Common Stock totaled \$3.15 a share in 1958 as compared with \$3.10 in 1957, including year-end extras of \$.75 in 1958 and \$1.00 in 1957. Dividends on Preferred Stock in 1958 amounted to \$103,011 as compared with \$431,510 in 1957. This reduction resulted from the redemption of the Preferred Stock in the early part of 1958.

The cost of doing business was greater in 1958, and it was not possible, under the competitive conditions of our industry, to make adequate adjustments to offset all the additional costs. The principal problem we encountered, and the one which was the most significant factor in the reduction in the profit margin, was the high cost of cocoa beans. As mentioned in the annual report for 1957, adverse weather conditions in West Africa resulted in a substantial reduction in the 1957-1958 cocoa bean crop, with a consequent sharp rise in the market price.

As anticipated a year ago, and following the historical pattern, resistance to the high prices developed and was reflected in the year 1958 in a drop in the world-wide consumption of cocoa beans. The United States Department of Commerce has reported, on the basis of data supplied by the Chocolate Manufacturers Association of the United States of America and other processors, that the estimated cocoa bean grindings in the United States as a whole were 10.9% lower in 1958 than in 1957. This drop in consumption is an economic factor which can logically be expected to have a correcting influence on the price level.

It has been emphasized in the annual reports of prior years that the level of cocoa bean prices has an important bearing on the Company's earnings, and that the history of such prices is one of very wide fluctuations. It is not feasible at this time to predict the price trend for an extended period as it will depend upon future crops and the pressure of world demand. The world production of cocoa beans in the current crop season seems likely to be considerably more than the relatively poor harvest of the preceding season; however, the market price at the present time, although much lower than the peak in 1958, is still too high to stimulate consumption of chocolate products.

Working capital at the end of 1958 amounted to \$55,449,257. This was \$5,554,709 lower than at the close of the preceding year; however, approximately \$10,000,000 of the Company's funds were used to redeem the Series A 4- $\frac{1}{4}$ % Preferred Stock. These shares were subsequently retired, along with the Preferred Stock previously purchased and carried as treasury stock. The redemption of the Preferred Stock will result in the elimination of annual charges for preferred dividends of approximately \$400,000. During the year, expenditures of approximately \$1,000,000 were made on the continuing program of improving plant and equipment.

The Company owned at December 31, 1958, \$13,337,396 of U. S. Government and other short-term securities in addition to those set aside in the accompanying balance sheet for the payment of Federal income taxes. A substantial part of these securities will be converted into cash during the year to meet normal seasonal operating requirements.

We are pleased to report the introduction of another new product from our development program. HERSHEY'S Mint Chocolate has just been announced to the trade and we expect that it will shortly have nationwide distribution. This product will be available in several package sizes, one of which is pictured in the enclosed sample of promotional material. Hershey's Mint Chocolate follows "Hershey-ets" and Hershey's Instant Cocoa Mix, which were introduced in the last several years and have found wide acceptance and popularity. The importance of research and development is recognized by the management, and the program is being aggressively followed.

As a matter of general interest, increasing numbers of people come to Hershey every year and many are conducted on an extended tour of the plant. In 1958 a new record was established with approximately 200,000 visitors to the factory from all parts of the world.

We welcome this opportunity to express our appreciation to the officers and employees for their loyalty and cooperation during the past year. With their continued effort we look forward with confidence to the future.

By order of the Board of Directors,

J. J. GALLAGHER

Chairman of the Board

S. F. HINKLE

President

February 20, 1959.

HERSHEY CHOCOL

BALANCE SHEET -

ASSETS

CURRENT ASSETS:

Cash	\$ 8,670,211
U. S. Government and other short-term securities, at cost	13,337,396
Accounts receivable, less reserves of \$472,630	5,783,535
Inventories (Note 1)	32,843,785
Total current assets	<u>\$60,634,927</u>

PLANT AND PROPERTY, at cost:

Land	\$ 96,085	
Buildings and improvements	14,039,414	
Machinery and equipment.....	25,162,095	
Construction in progress	<u>206,025</u>	
	\$39,503,619	
Less—Reserves for depreciation.....	<u>22,946,525</u>	16,557,094

DEFERRED AND PREPAID ITEMS.....	<u>914,675</u>
	<u>\$78,106,696</u>

NOTES:

- (1) Inventories of cocoa beans and almonds, together with the cocoa beans, are stated at cost under the "last-in, first-out" method. The remaini
- (2) At December 31, 1958, 98,410 shares of authorized and unissued a approved in 1957, for sale to officers and other key employees. At a share and 1,625 shares at prices ranging from \$55.00 to \$59.06. the proceeds of \$85,860 were credited to the common stock account

TE CORPORATION

DECEMBER 31, 1958

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities		\$ 4,199,967
Reserve for state taxes.....		985,703
Reserve for Federal income tax	\$10,627,182	
Less — U. S. Government short-term securities	<u>10,627,182</u>	<u>—</u>
Total current liabilities		\$ 5,185,670

CAPITAL STOCK AND SURPLUS:

Common stock, without par value—		
Authorized 3,000,000 shares (Note 2);		
outstanding 2,400,841 shares	\$ 4,286,576	
Earned surplus	<u>68,634,450</u>	<u>72,921,026</u>
		<u>\$78,106,696</u>

monds and the wage costs included in finished goods and goods in process, inventories are stated at the lower of average cost or market.

mon stock of the Company were reserved, under the Stock Option Plan at date there were outstanding options to purchase 28,060 shares at \$54.00 Options to purchase 1,590 shares were exercised during the year 1958 and

HERSHEY CHOCOLATE CORPORATION

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1958

PROFIT AND LOSS

GROSS SALES, less discounts, returns and allowances		\$164,003,791
COST OF GOODS SOLD, SHIPPING, SELLING, ADMINISTRATIVE AND GENERAL EXPENSES.....		<u>136,687,676</u>
		\$ 27,316,115
PROVISION FOR INCOME TAXES:		
Federal income tax	\$13,650,000	
Commonwealth of Pennsylvania income tax	<u>950,000</u>	<u>14,600,000</u>
Net profit for the year		<u><u>\$ 12,716,115</u></u>

NOTE: Costs and expenses for the year 1958 include provision for depreciation of plant and equipment in the amount of \$1,494,081.

EARNED SURPLUS

EARNED SURPLUS AT DECEMBER 31, 1957		\$ 63,826,566
ADD -- Net profit for the year 1958		<u>12,716,115</u>
		\$ 76,542,681
DEDUCT --		
Dividends --		
On Series A 4-¼% preferred stock - redeemed May 15, 1958 (\$.53½ per share)	\$ 103,011	
On Common stock (\$3.15 per share)	7,560,135	
Premium of \$1.50 a share on redemption of preferred stock less \$45,895 repre- senting excess of par value over cost of treasury preferred stock	<u>245,085</u>	<u>7,908,231</u>
EARNED SURPLUS AT DECEMBER 31, 1958		<u><u>\$ 68,634,450</u></u>

AUDITORS' CERTIFICATE

*To the Board of Directors and the Stockholders of
Hershey Chocolate Corporation:*

We have examined the balance sheet of Hershey Chocolate Corporation (a Delaware corporation) as of December 31, 1958, and the related statements of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of Hershey Chocolate Corporation as of December 31, 1958, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
February 9, 1959.

HERSHEY'S PRODUCTS

FOR THE CONSUMER

MILK CHOCOLATE BARS

MILK CHOCOLATE KISSES

ALMOND BARS

BAKING CHOCOLATE

SEMI-SWEET BARS

DAINTIES

KRACKEL BARS

COCOA

MR. GOODBAR

CHOCOLATE SYRUP

MINIATURE BARS

INSTANT COCOA MIX

HERSHEY-ETS

HOT CHOCOLATE POWDER

MINT CHOCOLATE

CHOCOLATE FUDGE TOPPING

FOR INDUSTRIAL USERS

(Confectionery, Baking, Ice Cream, and other Industries)

CHOCOLATE COATINGS

COCOA POWDER

UNSWEETENED CHOCOLATE

CHOCOLATE SYRUP

COCOA BUTTER

CHOCOLATE FUDGE

HERSHEY CHOCOLATE CORPORATION

**EXECUTIVE OFFICES AND MANUFACTURING PLANT
HERSHEY, PENNSYLVANIA**

WAREHOUSES

Atlanta, Ga.	Little Rock, Ark.
Billings, Mont.	Los Angeles, Cal.
Cambridge, Mass.	Memphis, Tenn.
Chicago, Ill.	Milwaukee, Wis.
Cincinnati, Ohio	New Orleans, La.
Dallas, Texas	North Bergen, N. J.
Davenport, Iowa	Oklahoma City, Okla.
Denver, Colo.	Omaha, Neb.
Detroit, Mich.	Pittsburgh, Pa.
East St. Louis, Ill.	Portland, Ore.
Houston, Texas	St. Paul, Minn.
Jacksonville, Fla.	Salt Lake City, Utah
Kansas City, Mo.	San Francisco, Cal.
Seattle, Wash.	

SALES OFFICES

In all principal cities in the United States

USEFUL PRODUCTS

FOR THE HOME

- CHOCOLATE CANDY
- CHOCOLATE COATINGS
- CHOCOLATE CREAM
- CHOCOLATE DIPS
- CHOCOLATE FILLINGS
- CHOCOLATE GLAZES
- CHOCOLATE ICINGS
- CHOCOLATE MOLDINGS
- CHOCOLATE PASTES
- CHOCOLATE POWDERS
- CHOCOLATE SPREADS
- CHOCOLATE SYRUPS
- CHOCOLATE TARTS
- CHOCOLATE TRUFFLES
- CHOCOLATE WHISKY

FOR INDUSTRIAL USE

- CHOCOLATE COATINGS
- CHOCOLATE DIPS
- CHOCOLATE FILLINGS
- CHOCOLATE GLAZES
- CHOCOLATE ICINGS
- CHOCOLATE MOLDINGS
- CHOCOLATE PASTES
- CHOCOLATE POWDERS
- CHOCOLATE SPREADS
- CHOCOLATE SYRUPS
- CHOCOLATE TARTS
- CHOCOLATE TRUFFLES
- CHOCOLATE WHISKY

HERSHEY'S[®] MINT CHOCOLATE

CANDY COATED

NEWEST THING FROM Chocolate Town . . .

NEWEST THING IN THE CANDY INDUSTRY . . .

NEWEST CONSUMER TASTE DELIGHT AND YOUR

NEWEST **SALES AND PROFIT BUILDER!**



NOW IN
10¢ BAGS
AND
25 lb. BULK

ANOTHER ***FIRST-*** in favor and flavor[®]

